



Paringa Resources Limited

ABN 155 933 010

Condensed Consolidated Interim Financial Report  
for the half year ended 31 December 2012

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# Corporate Directory

## Directors

David Griffiths – Non-Executive Director, Chairman

David Chapman – Managing Director

Luis Mauricio Azevedo – Non-Executive Director

## Company Secretary

Nicholas Day

## Corporate Details

Paringa Resources Limited (ABN 155 933 010)

## Registered and Principal Office

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Subiaco WA 6008

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Facsimile: +61 8 6500 1999

Website: [www.paringaresources.com.au](http://www.paringaresources.com.au)

## Brazil Office

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Barra da Tijuca – Rio de Janeiro

Brazil 22631-350

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## Auditors

Grant Thornton Audit Pty Ltd

Level 1

10 Kings Park Road

West Perth WA 6005 Australia

## Share Registry

Security Transfers Registrars Pty Ltd

770 Canning Highway

Applecross WA 6953

Paringa Resources Limited shares are listed on the Australian Securities Exchange (ASX).

## Directors' Report

The directors present their report together with the financial report of Paringa Resources Limited ("the Company" or "Paringa") Group, being the Company and its subsidiary, for the six months ended 31 December 2012 ("the period" or "the half-year") and the auditor's review report thereon.

### Directors

The names of the company's directors at any time during the half-year and until the date of this report are as set out below:

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>	<b>Resignation date</b>
Mr David Griffiths	Non-Executive Chairman	7 September 2012	-
Mr David Chapman	Managing Director	7 September 2012	-
Mr Luis Mauricio Azevedo	Non-Executive Director	7 September 2012	-
Mr Jonathon King	Technical Director	7 September 2012	8 March 2012
Mr Leslie Davis	Executive Director	27 February 2012	12 September 2012

### Operating results

The Group's net loss after taxation for the half-year ended 31 December 2012 was \$277,376.

### Review of Operations

Paringa Resources Limited ("Paringa") was incorporated on 27 February 2012 and is domiciled in Australia. The Company is a listed on the Australian Securities Exchange. The information presented in this report is for the six months ended 31 December 2012.

After the successful initial public offering, which closed fully subscribed and raised \$10 million through the issue of 33,333,333 shares at \$0.30 per share; Paringa was admitted to the Australian Securities Exchange (ASX) on 20 December 2012.

During the half-year ended 31 December 2012, Silver Lake Resources Limited converted its unsecured, interest free loan of \$1.2m, into 20 million fully paid shares at \$0.06 per share on the date of the Company's admission to the ASX.

Paringa is focused on acquiring high quality mineral exploration or production assets in Brazil and it currently has four projects that comprise of 59.43km<sup>2</sup> of granted tenements in the Minaçu Gold Project and 1,512.94km<sup>2</sup> of tenements under application.

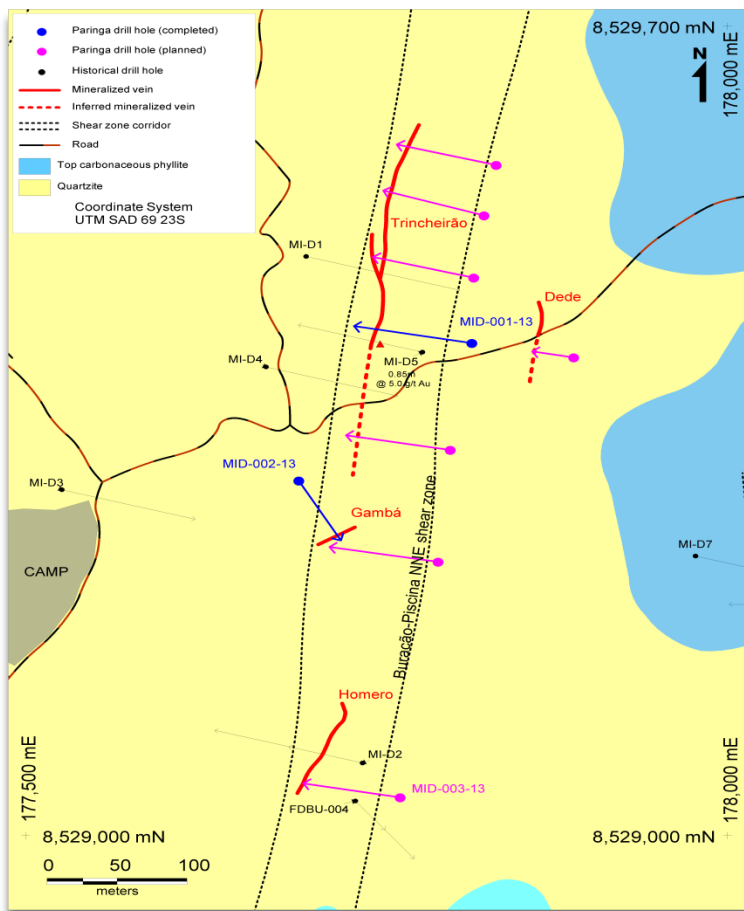
### Minaçu Gold Project

Paringa's primary objective is to explore its licences held within the Minaçu Gold Project, located in central Brazil, where Paringa has planned two-phase, two year exploration program with the goal of defining significant gold resources.

The inaugural drilling program of 1500m commenced on 30 January 2013, of which four holes have been completed and are pending assay results.

The initial hole MID 001-13 was targeted on the southern end of the Trincheirão workings where recent artisanal open pit mining had followed on from substantial surface and underground excavations made in the 1700's by the Bandeirantes.

The aim of this hole was to confirm the continuity at depth, and orientation, of the strong structure and alteration exposed at surface which would then confirm potential for significant gold mineralisation along the trend.



MID 001-13 intersected a partially weathered and oxidised shear zone with strong hydrothermal alteration, including silicification, quartz veining, and boxworks after sulphide from 72.5m to 75.2m downhole (Figure 4). This is interpreted to be the down-dip extension of the mineralisation extracted historically from the Trincheirão workings and is the first successful drill test of this mineralisation since the 1970's when a previous explorer intersected 0.85m @ 5.0g/t. Assay results for MID 001-13 are pending.

Follow-up drilling continues to the south and north of MID 001-13 to establish continuity of the mineralisation from the Homero and Gambá workings through to the northern end of Trincheirão.

#### Forward Programme

Drilling continues and has the following objectives:

- Step-out drilling to extend the Trincheirão mineralization to the South and North.
- Test the Homero, Buracão and Piscina workings along the main mineralized trend.
- Commence evaluation of parallel structures such as the Delegado trend.

MID's 002-13, 003-13 and 004-13 have been completed. Documentation and assays are pending.

In conjunction, with the planned program at the Minaçu Gold Project, Paringa will be generating a pipeline of priority targets at the São Luis Gold Project with the Proterozoic greenstone sequences in the (1000Moz+ Au) Guyana Shield. Paringa will also be exploring both the 100%-owned Santo Antônio de Pádua Graphite Project and the São Fidélis Graphite Project for short term resources opportunities with the objective of creating a high-margin graphite project with low capital development requirements.

#### São Luis Gold Project

The São Luis Gold Project is located on the border of Pará and Maranhão States in northern Brazil, about 250km east of Belém and comprises 13 applications for exploration licenses in seven blocks covering 1,252km<sup>2</sup>. Key aspects of the Project are:

- Significant land position in the São Luis Craton over previously undefined greenstone sequences in the extension to the Guyana Shield; host to over 100 million ounces of Au.
- Known gold resources in the São Luis Craton total over 6Moz, including Piaba-Tatajuba (3.2Moz), Cipoeiro (1.8Moz), and Cachoeira (0.7Moz).
- Tenements cover over 1,250km<sup>2</sup> of similar geological environments and structures to those which elsewhere host gold deposits within the São Luis Craton and the Guyana Shield.

#### Santo Antônio de Pádua Graphite Project

The Santo Antônio de Pádua Graphite Project is located in Rio de Janeiro State, about 185km northeast of Rio de Janeiro city and comprises 12 exploration license applications covering 224.6km<sup>2</sup>. Key aspects of the Project are:

- Lies within a highly complex structural province which hosts all of Brazil's current graphite-producing operations.
- Covers almost the entire 60km strike length of one of 35 Manganese ± Graphite-bearing belts.
- Individual graphite-bearing lenses can form zones up to 15m wide.
- Total carbon contents range from 3.14%C to >15.0%C in eight rock-chip samples.
- Good potential for locating flake graphite in high-tonnage, low-grade disseminated mineralisation and in vein-type high-grade crystalline lump and/or flake mineralisation.

#### São Fidélis Graphite Project

The São Fidélis Graphite Project is located in Rio de Janeiro State, about 190km east northeast of Rio de Janeiro city. The Project comprises two exploration license applications covering 35.91km<sup>2</sup>. Key aspects are:

- The project contains three inactive graphite mines.
- The operations produced very high grade and quality graphite.
- The grades mined were between 35%C and 40%C with more selective production in the range 60%C to 70%C.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 8 and forms part of the Director's report for the half year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors.



DAVID CHAPMAN  
Managing Director

Dated at Perth, this 13<sup>th</sup> day of March 2013

### **Qualifying Statement**

*This release may include forward-looking statements. These forward-looking statements are based on Paringa's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Paringa, which could cause actual results to differ materially from such statements. Paringa makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.*

### **Competent Persons Statement**

*The information in this report that relates to Exploration Results is based on information compiled or reviewed by Mr David Chapman. Mr Chapman is employed by Paringa Resources Limited and is a Member of The Australasian Institute of Mining and Metallurgy. Mr Chapman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Chapman consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. Mr Chapman accepts responsibility for the accuracy of the statements disclosed in this report.*

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## Auditor's Independence Declaration

### To The Directors of Paringa Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Paringa Resources Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Partner - Audit & Assurance

Perth, 13 March 2013



# Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 31 December 2012

	Notes	31 December 2012 \$
Audit and accounting fees		(45,750)
Other professional fees		(23,655)
Consultants and directors' fees		(63,986)
Listing and share registry expenses		(84,651)
Administrative expenses	4	<u>(75,273)</u>
<b>Loss from operating activities</b>		<b>(293,315)</b>
Finance income		<u>15,939</u>
<b>Loss for the period before income tax</b>		<b>(277,376)</b>
Income tax expense		<u>-</u>
<b>Loss for the period after income tax</b>		<b>(277,376)</b>
Other comprehensive income, net of tax		-
<b>Total comprehensive income for the period</b>		<b>(277,376)</b>
 <b>Loss per share from continuing operations attributable to the ordinary equity holders of the parent</b>		
Basic loss per share (cents per share)		(2.8)
Diluted loss per share (cents per share)		(2.8)

The above statement should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 \$	30 June 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,735,530	-
Trade and other receivables		39,405	-
Other current assets		16,778	-
<b>Total current assets</b>		<b>9,791,713</b>	<b>-</b>
<b>Non-current assets</b>			
Other non-current assets		10,900	-
Exploration and evaluation expenditure	6	628,653	209,176
<b>Total non-current assets</b>		<b>639,553</b>	<b>209,175</b>
<b>TOTAL ASSETS</b>		<b>10,431,266</b>	<b>209,176</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		311,296	-
Loan payable	7	-	260,916
<b>Total current liabilities</b>		<b>311,296</b>	<b>260,916</b>
<b>TOTAL LIABILITIES</b>		<b>311,296</b>	<b>260,916</b>
<b>NET ASSETS</b>		<b>10,119,970</b>	<b>(51,740)</b>
<b>EQUITY</b>			
Contributed equity	8	10,422,735	(26,351)
Accumulated losses		(302,765)	(25,389)
<b>TOTAL EQUITY</b>		<b>10,119,970</b>	<b>(51,740)</b>

The above statement should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2012

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
<b>At 1 July 2012</b>	(26,351)	(25,389)	(51,740)
Loss for the period	-	(277,376)	(277,376)
Other comprehensive (loss)/profit	-	-	-
<b>Total comprehensive (loss)/profit for the year</b>	-	<b>(277,376)</b>	<b>(277,376)</b>
<b>Transactions with owners in their capacity as owners</b>			
Shares issued	11,257,701	-	11,257,701
Share issue costs	(808,615)	-	(808,615)
<b>Balance at 31 December 2012</b>	<b>10,422,735</b>	<b>(302,765)</b>	<b>10,119,970</b>

The above statement should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2012

	31 December 2012 \$
<b>Cash flows from operating activities</b>	
Payments to suppliers and employees	(47,142)
<b>Net cash flows from/(used in) operating activities</b>	<u>(47,142)</u>
<b>Cash flows from investing activities</b>	
Interest received	15,939
Cash paid as security	(10,900)
Payments for expenditure on exploration	(20,424)
<b>Net cash flows from/(used in) investing activities</b>	<u>(15,385)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issue of shares	10,310,557
Share issue costs	(512,500)
<b>Net cash flows from financing activities</b>	<u>9,798,057</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>9,735,530</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at end of period</b>	<u><b>9,735,530</b></u>

The above statement should be read in conjunction with the accompanying notes.

# Notes to the condensed consolidated interim financial statements

## 1. Reporting entity

Paringa Resources Limited (the "Company") is a company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The Company's registered office is Suite 3, 224 Rokeby Road, Subiaco, Western Australia, 6008.

The condensed consolidated interim financial statements of the Company for the half-year from 1 July 2012 to 31 December 2012 comprising the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities") were authorised with a resolution of the Directors on 13 March 2013.

### (a) Going concern

The financial statement for the half-year have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half-year the Company incurred an operating loss of \$277,376. Net cash outflow from operations was \$47,142.

The Company raised \$10 million through the issue of 33,333,333 shares at \$0.30 per share and was admitted to the ASX on 20 December 2012. Prior to the fundraising, the Company was supported by an unsecured, interest free convertible loan of \$1.2m from Silver Lake Resources Limited which was converted into 20 million fully paid shares at \$0.06 per share on the date of the date of the Company's admission to the ASX.

The proceeds from the fundraising are sufficient for the Company to continue with its proposed work program and related expenditure for the more than the next 12 months.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The condensed consolidated interim financial statement is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statement and notes comply with International Financial Reporting Standards.

The interim financial report has also been prepared on an accruals basis and is based on historical cost, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The interim financial report is prepared in Australian dollars.

### (b) Compliance Statement

The interim financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### **(c) New accounting standards and interpretations**

AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' includes an amendment to "AASB 101 Presentation of Financial Statements" which is effective for the first time during the period ended 31 December 2012. The amendment requires the following:

- entities to group items presented in Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to profit and loss subsequently; and
- changes to the title of "Statement of Comprehensive Income" to "Statement of Profit and Loss and Other Comprehensive Income", however an entity may present the profit and loss and comprehensive income in two statements and the first statement must be the "statement of profit or loss".

The title change has been adopted in this reporting period.

### **(d) Basis of consolidation**

The consolidated interim financial statements comprise the financial statements of Paringa Resources Limited (formerly Paringa Resources Pty Ltd) and its subsidiary as at 31 December 2012 ('the Group').

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

### **(e) Income tax**

Income tax on the Statement of Profit and Loss and Comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit and Loss and Comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charges and amounts brought to account or which may be realised in the future is calculated on the basis of the tax rates and laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred income tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

**(f) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above.

**(g) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

**(h) Exploration expenditure and evaluation**

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having specific nexus with a particular area of interest.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore , the directors regularly review the carrying value of the exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. Expenditure is not carried forward in respect of any area of interest/mineral resources unless the Group's rights of tenure to that area of interest are current.

**(i) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

**(j) Trade and other payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is fair value of the consideration to be paid for goods and services received that are unpaid, whether or not billed to the Group.

**(k) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(l) Revenue**

Revenue is recognised and measured by the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised

*Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value of the financial asset.



### **(m) Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

#### *Diluted earnings per share*

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

### **(n) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as current asset or liability in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

### **(o) Foreign currency**

#### *Functional and presentation currency*

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Paringa Resources Limited is Australian dollars. The functional currency of the overseas subsidiary is Brazilian Reals.

#### *Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

#### *Group entities*

The assets and liabilities of the Brazilian subsidiary are translated into Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates (unless this is not a reasonable

approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.

Foreign exchange difference arising on translation is recognised directly in the foreign currency translation reserve (“FCTR”) as a separate component of equity.

#### **(p) Segment reporting**

AASB 8 Operating Segments requires ‘a management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Paringa Resources Limited.

#### **(q) Financial Instruments**

##### *Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### *Classification and Subsequent Measurement*

###### *i Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

###### *ii Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

##### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Where the value of listed securities has increased the resultant gains are recognised in the other financial assets reserve. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

## Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

### **(r) Equity Settled compensation**

The Group operates a share ownership plan for directors and employees. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods.

The fair value of performance rights/options is determined using managements best estimates and observable market data and model inputs and the Black-Scholes pricing model. The number of performance rights and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### **3. Critical accounting estimates and judgments**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value is determined with the assistance of an external valuer or using management's best estimates. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using managements best estimates (performance rights) or the Black-Scholes formula (for options), taking into account the terms and conditions upon which the instruments were granted.

#### **4. Administrative Expenditure**

	<b>31 December 2012</b>
	<b>\$</b>
Bank fees	1,112
Computer expenses	2,433
General office expenses	188
Insurance	3,666
Printing and Stationery	67,874
<b>Total administrative expenditure</b>	<b>75,273</b>

#### **5. Segment Reporting**

<b>For the period ended 31 December 2012</b>	<b>Exploration in Brazil</b>	<b>Unallocated</b>	<b>Consolidated</b>
Total segment revenue	-	-	-
Loss before income tax	-	(277,377)	<b>(277,377)</b>
<b>Segment assets</b>			
Exploration and evaluation expenditure	628,653	-	<b>628,653</b>
Other	28,063	9,774,549	<b>9,802,612</b>
<b>Segment liabilities</b>			
Other	101,805	209,491	<b>311,296</b>
<b>As at 30 June 2012</b>			
<b>Segment assets</b>			
Exploration and evaluation expenditure	209,176	-	<b>209,176</b>
<b>Segment liabilities</b>			
Loan payable	-	260,916	<b>260,916</b>

## 6. Exploration and evaluation expenditure

	31 December 2012	30 June 2012
	\$	\$
Balance at beginning of the period	209,176	-
Additions	419,477	209,176
<b>Balance as at 31 December 2012</b>	<b>628,653</b>	<b>209,176</b>

On 13 June 2012, the Company entered into a Mineral Research and Option agreement ("MR & O agreement") in relation to the following tenements 860.341/09, 864.508/10 and 864.466/08 within the Minaçu Gold Project and on 25th September 2012, the Official Gazette published the approval of the permits assigned to Paringa Mineração Limitada (the Companies' Brazilian subsidiary).

For the transfer of the Mineral Rights, the Company shall pay to the Assignors the amounts below at certain due dates:

<u>Amount due</u>	<u>Due date</u>
US\$30,000	13 June 2012
US\$80,000	13 December 2012
US\$100,000	13 June 2013
US\$200,000	13 June 2014
US\$340,000	13 June 2015
US\$500,000	13 June 2016

As at 31 December 2012, US\$110,000 has been paid to the Assignors.

The Company has also agreed to pay a 2% royalty over the monthly net results of the production on the Mineral Rights areas ("Royalty"). The Company can buy back 1% of the Royalty by paying to the Assignors an amount equivalent in Reals of US\$2,000,000.

If production does not start within 5 years after the date of the execution of the MR & O agreement, the Company shall pay the Assignors an advance payment of US\$100,000 per year until the beginning of production in the mine. These advances may be deducted from the Royalty.

If either the Company or the Assignors terminates the agreement, the Company will be released of all obligations under the MR & O agreement and will be required to transfer the ownership of the Mineral Rights back to the Assignors, without any costs or expenses to them. The Company under such circumstances would also deliver, within 30 days from the termination, all maps, reports and studies supplied by the Assignors and all reports and documents produced by the Company.

The ultimate recoverability of the exploration and evaluation expenditure is dependent on the successful development or sale.

## 7. Loan payable

	31 December 2012	30 June 2012
	\$	\$
Balance at beginning of the period	260,916	-
Loan advanced from Silver Lake up to the facility limit	939,084	260,916
Conversion of loan into ordinary shares on admission to ASX	(1,200,000)	-
<b>Balance as at 31 December 2012</b>	<b>-</b>	<b>260,916</b>

Silver Lake Resources Limited converted its unsecured, interest free loan of \$1.2m, into 20 million fully paid shares at \$0.06 per share on the date of the date of the Company's admission to the ASX.

## 8. Contributed Equity

	31 December 2012	
	\$	
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	<b>10,422,735</b>	
	Number of shares	\$
<b>(b) Movements in ordinary shares on issue</b>		
Balance at beginning of period including transaction costs	1	(26,350)
Issue of shares to Directors at \$0.0067	6,000,000	40,200
Issue of shares to Directors at \$0.01	1,750,000	17,500
Conversion of loan from Silver Lake at \$0.06 per share	20,000,000	1,200,000
Issue of shares as part of IPO at \$0.30	33,333,333	10,000,000
Transaction costs on share issue	-	(808,615)
	<b>61,083,334</b>	<b>10,422,735</b>

## 9. Share Options

2,250,000 unlisted share options were issued on 31 August 2012 and 300,000 on 7 September 2012 for nil consideration as pre-seed options given to Directors and Senior Management. The unlisted options must be exercised by the holder at any time on or after the Company's admission to the ASX (20 December 2012) for an exercise price of \$0.30 per share, the options will expire 5 years from the date of issue.

The fair value of the options granted were valued using the Black and Scholes option pricing formula, however the valuation was immaterial and thus no share based payment expense has been recorded in the statement of comprehensive income for the half- year ended 31 December 2012. The inputs used to calculate the fair value are set out below:

	31 August 2012	6 September 2012
Grant date	31 August 2012	6 September 2012
Share price at grant date	\$0.01	\$0.01
Exercise price	\$0.30	\$0.30
Expected dividends	0%	0%
Risk-free rate interest rate	2.6%	2.6%
Expected volatility	70%	70%
Expected life	5 years	5 years

## **10. Dividends**

No dividends were paid by the consolidated entity.

## **11. Related parties**

Silver Lake Resources Limited entered into a loan agreement to provide an unsecured, interest free loan of \$1,200,000 (“the loan”) to the Company. On the date of the Company’s admission to the ASX, the loan was converted into 20 million fully paid shares at \$0.06 per share. At the date of this financial statement, Silver Lake holds 34% of the ordinary shares of the Company.

Parati Pty Ltd a Company in which David Chapman is a Director provided technical consulting services to the Company during the half-year to the value of \$132,892.

Argento Trust, a Trust of which Nicholas Day is a beneficiary provided general consultancy and company secretarial services to the Company during the half-year to the value of \$33,000.

## **12. Contingent assets and liabilities**

There were no contingent assets or liabilities in the consolidated entity as at 31 December 2012.

## **13. Commitments**

As part of the M R & O Agreement the Company agreed to invest an annual minimum amount of the equivalent in Reais to US\$500,000 during two years of exploration activities.

## **14. Subsequent events**

No matters or circumstances have arisen since the end of financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity or the parent company in the future financial year.

## Directors' Declaration

In accordance with a resolution of the directors of Paringa Resources Limited, I state that:

In the opinion of the directors:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including;
  - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date;
  - (b) and complying with Australian Accounting Standards AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



David Chapman  
Managing Director  
Perth  
13th March 2013



## **Independent Auditor's Review Report**

### **To the Members of Paringa Resources Limited**

We have reviewed the accompanying half-year financial report of Paringa Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of Paringa Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Paringa Resources Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Paringa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paringa Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Partner - Audit & Assurance

Perth, 13 March 2013